

<b>Nutrition Services</b> <b>Department of State Health Services</b>
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Effective October 1, 2005

Policy No. AC:01.0

## **Local Agency Financial Management Systems**

### **Purpose**

To ensure a proper audit trail is maintained, expenditures are reasonable and necessary, and reimbursements are not duplicated.

### **Authority**

7 CFR Part 246.13, OMB Circular A-87

### **Policy**

Each local agency (LA) shall maintain a financial management system that provides accurate, current and complete disclosure of the financial status of the WIC Program. Costs shall be reasonable and necessary for the operation of the WIC Program and expenditure records shall identify the source and use of funds expended for program activities. Expenditures not recorded in these accounts shall not be allowable charges to the WIC Program.

### **Definitions**

Reasonable costs – A cost is reasonable if under the circumstances a prudent person would incur the cost. Consideration should be given to the following:

- Whether the cost provides the program a benefit commensurate with the cost incurred.
- Whether the cost is of a type generally recognized as ordinary and necessary.
- Sound business practice.
- Market prices for comparable goods and services.
- The cost was incurred in accordance with the terms and conditions of the contract with DSHS.

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Necessary Costs – Costs incurred to carry out essential program functions and cannot be avoided without adversely impacting program operations.

**Procedures**

- I. Each LA shall maintain a separate, self-balancing set of accounts for the WIC Program.
- II. Costs shall be reasonable and necessary for the operation of the WIC Program.
- III. Monthly claim for reimbursement shall be prepared from this set of accounts by means of a State of Texas Purchase Voucher, Form B-13.